



# STATE OF IOWA

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DEPARTMENT OF HUMAN SERVICES  
KEVIN W. CONCANNON, DIRECTOR

July 20, 2007

## GENERAL LETTER NO. 23-L-2

ISSUED BY: Bureau of Purchasing, Payments, and Receipts,  
Division of Fiscal Management

SUBJECT: Management Manual, Title 23, Chapter L, **COUNTY BILLING  
AND OFFSET**, Title page, revised; Contents (page 1), revised;  
and pages 1 through 7, revised; and pages 8 and 9, new.

### Summary

This chapter is revised to reflect current policies and procedures. Offsets are now handled through the State Accounting Enterprise in the Department of Administrative Services.

### Effective Date

Immediately.

### Material Superseded

Remove the following pages from Management Manual, Title 23, Chapter L, and destroy them:

<u>Page</u>	<u>Date</u>
Title page	May 15, 1990
Contents (page 1)	May 15, 1990
1-7	May 15, 1990

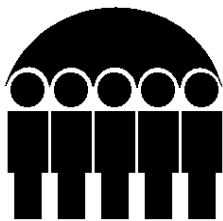
### Additional Information

Refer questions about this general letter to your service area manager.

Revised July 20, 2007

Management Manual  
Title 23  
Chapter L

# COUNTY BILLING AND OFFSET



Iowa  
Department  
of  
Human Services

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## **Overview**

Iowa law mandates that the county where a Medicaid member has legal settlement shall participate in the cost of the following Medicaid services:

- ◆ Intermediate care facilities for the mentally retarded (ICF/MR). The county is responsible for 100% of the non-federal share of the cost of ICF/MR care provided to an adult Medicaid member.
- ◆ Home- and community-based services (HCBS) waivers. The county is responsible for 100% of the non-federal share of the cost of services provided through the HCBS mental retardation (MR) waiver or brain injury (BI) waiver to an adult who is at the ICF/MR level of care.
- ◆ Enhanced services. The county is responsible for 50% of the non-federal share of the cost of case management services for adults, rehabilitation services, day treatment, and partial hospitalization provided under the Medicaid program for persons with mental retardation, a developmental disability, or chronic mental illness.
- ◆ Habilitation services. The county is responsible for 100% of the non-federal share of the cost of home- and community-based habilitation services provided to an adult with a chronic mental illness.

The Department pays providers directly for these services and then bills the counties for their share of the payment. This chapter establishes the procedures for:

- ◆ Notifying a county of the Department's intent to use the offset program when a bill remains unpaid for 60 days following the date of the bill, and
- ◆ Appealing the amount owed or the offset when the county disagrees.

## **Legal Basis**

Iowa Code section 222.73 requires the Department to bill the county of legal settlement for average daily patient charges and outpatient treatment charges. At the state resource enters.

When the state resource centers became certified under the Medicaid ICF/MR program, Iowa Code section 249A.12 established the county obligation as the nonfederal share of the cost of care if the Medicaid review organization has approved the member's placement as medically necessary and appropriate. Effective July 1, 1985, that section was amended to make the state responsible for the nonfederal share of the cost of care for a minor child.

Iowa Code Section 249A.12(6) requires the county of legal settlement to pay the nonfederal share of costs of services under the HCBS mental retardation waiver and any other waiver services approved for a person who would otherwise be in an ICF/MR. (This requirement was first established in 1984 Iowa Acts, Chapter 1310.)

Iowa Code section 249A.26 requires the county of legal settlement to pay 50% of the nonfederal share of the costs of case management, day treatment, and partial hospitalization provided for adults. (This requirement was first established in 1989 Iowa Acts, Chapter 318, section 23.)

Iowa Code section 249A.26A(4) requires the county to pay the nonfederal share of costs of services provided to members with chronic mental illness under the adult rehabilitation option (which was discontinued effective January 1, 2007). This section is amend 2007 Iowa Acts, House File 909, section 119, to refer to Medicaid habilitation services.

Iowa Code section 230.9 establishes county responsibility for the cost of care in a state mental health institute.

Department rules implementing these statutes are found at:

- ◆ 441 Iowa Administrative Code (IAC) 78.12(7) for habilitation services.
- ◆ 441 IAC 83.70(249A) for HCBS mental retardation waiver services.
- ◆ 441 IAC 83.90(249A) for HCBS brain injury waiver services.
- ◆ 441 IAC 90.1(249A) for the definition of "chronic mental illness."

Iowa Code sections 252.16 and 252.17 define how a person acquires legal settlement in a county. The Department has adopted rules for the resolution of legal settlement disputes at 441 Iowa Administrative Code Chapter 15.

Pursuant to the authority of Iowa Code Section 8A.504, the Department of Administrative Services has established procedures for the offset of debts owed state agencies at 11 Iowa Administrative Code Chapter 40. These rules were effective January 19, 2005. Under the offset program, funds due a county from any state department are used to compensate that department for a valid debt.

The Department of Human Services has established procedures for the offset of county debts owed the Department at 441 Iowa Administrative Code Chapter 14. These rules give both the Department and the county a formal process for notice and the opportunity to be heard regarding disagreements about the debt.

### **Definitions of Terms**

**Legal reference:** 441 IAC 14.1(234)

"Central point of coordination" or "CPC" means the administrative entity designated by a county board of supervisors, or by the boards of a consortium of counties, to act as the single entry point to the service system as required by Iowa Code section 331.440.

"DAS" means the Iowa Department of Administrative Services.

"Department" means the Iowa Department of Human Services.

"Director" means the director of the Iowa Department of Human Services.

"Legal settlement" means a person's status as defined in Iowa Code sections 252.16 and 252.17.

"Liability" or "debt" means any liquidated sum due and owing to the Department that has accrued through contract, subrogation, tort, operation of law, or any legal theory regardless of whether there is an outstanding judgment for that sum. Before setoff, the amount of a county's liability to the Department shall be at least \$50.

"Offset" means to set off or compensate the Department that has a legal claim against a county where there exists a county's valid claim on a state agency that is in the form of a liquidated sum due, owing and payable. Before setoff, the amount of a county's claims on a state agency shall be at least \$50.

### **Identifying Counties with Liabilities**

**Legal reference:** 441 IAC 14.2(234)

The Department bills the county monthly or quarterly for the county share of the costs of ICF/MR care, HCBS mental retardation (MR) or brain injury (BI) waiver services, enhanced services, and habilitation services provided to members who have legal settlement in the county.

The *Medicaid County Billing Remittance*, form 470-3601, and a computer-generated report produced by the Department's Medicaid Management Information System are used to bill for the services provided.

Form 470-3601 is always attached to the following computer-generated printouts that are sent to the county central point of coordination (CPC):

- ◆ IAMM3800-R002, *Community-Based ICF-MR County Billing*, is used to bill for ICF/MR services for the current month.
- ◆ IAMM4700-R001, *Community Based DHS MR Waiver County Billing*, is used to bill for HCBS mental retardation waiver services.
- ◆ IAMM 4700-R009, *ICF/MR Brain Injury Patients Waiver County Billing*, is used to bill for HCBS brain injury waiver services for adults at the ICF/MR level of care.
- ◆ IAMM4750-R001, *Habilitation Services County Billing*, is used to bill for habilitation services for the current month.
- ◆ IAMM4900-R001, *Enhanced Services County Billing*, is used to bill for enhanced services for the current month.

If there are questions regarding the county of legal settlement, the CPC should contact the Department's local office or the Division of Fiscal Management for assistance in resolving the questions. The CPC then submits form 470-3601 and the computer-generated report to the county for payment. The county auditor pays the bills.

### **Notice to County Regarding Liability**

**Legal reference:** 441 IAC 14.2(1)

When a bill to the county remains unpaid 60 calendar days following the date of the bill, the Division of Fiscal Management sends form 470-2563, *Notice of Intent to Offset*, to the county CPC. This notice:

- ◆ States the amount due, the name of the Medicaid member, and the dates of service.
- ◆ States the Department's intent to use the offset program as provided in Department of Administrative Services rules 11 IAC Chapter 40 and the Department's rules 441 IAC Chapter 14.
- ◆ Requires the county to send a written response to the Department's Division of Fiscal Management within 30 calendar days of the date of notification.
- ◆ Provides the county with "notice and opportunity to be heard" and enables the Department to ensure due process in establishing liability for a cost

The Division maintains a tracking system for each *Notice of Intent to Offset* to alert the Division when 30 calendar days from the date of the notice have elapsed.

### **Response From County Regarding Liability**

**Legal reference:** 441 IAC 14.2(2)

If the county responds with payment in full, the matter is considered resolved and the Department's tracking system is updated.

If the county provides a written response to the Division of Fiscal Management within 30 calendar days of the date of the *Notice of Intent to Offset* stating why the county disagrees with the amount owed, the response constitutes a request for administrative review.

The county shall provide any relevant legal citations, client identifiers, and any additional information to support the county's position. For example, a county may not agree that it is the county of legal settlement or that the identified amount of the bill is correct. No offset is made pending the administrative review.

The county's right to an administrative review is considered waived if the county fails to respond within 30 calendar days of the date of the notification of liability. If the county fails to pay the full amount due and fails to respond within 30 days, the Division of Fiscal Management proceeds with the offset.

### **Administrative Review of County Liability**

**Legal reference:** 441 IAC 14.2(3)

Within 30 calendar days of receipt of the county's written response disagreeing with the amount owed, the Division of Fiscal Management shall:

- ◆ Review the basis for the bill and the county's position as stated in the response.
- ◆ Notify the county is of the findings of the review in writing.

When the Division of Fiscal Management **agrees** with the county's position regarding the liability, the Division makes the necessary adjustments to subsequent billings sent to the county and notifies the county of the adjustments.



When the Division of Fiscal Management does **not agree** with the county's position regarding the liability, the Division of Fiscal Management must respond to the county in writing within 30 days from receipt of the county response.

The response includes the notice that the Department intends to proceed to collect the outstanding liability through the income offset process. Any further dispute concerning the amount due shall be addressed when the offset notice is issued.

### **List of Counties with Amounts Owed**

**Legal reference:** 441 IAC 14.3(1); 11 IAC 40.4(1)

To initiate the offset, the Department's Division of Fiscal Management provides a list of the counties with amounts owed to the Department of Administrative Services. The Department of Administrative Services maintains this list in a statewide liability file.

When the county fails to respond to the *Notice of Intent to Offset* or, after administrative review, the Division of Fiscal Management does not agree with the county's position, the Division submits a *Request to Include Debt on Offset Master Index File* to the Department of Administrative Services, State Accounting Enterprise.

The Department must maintain an accurate record of the counties with amounts owed on the list. The Division of Fiscal Management maintains a liability file that includes the name of each county that is submitted to the Department of Administrative Services with all pertinent information for the amounts owed. Adjustments to the liability file occur whenever there is a change in an amount owed.

### **Certification of File**

**Legal reference:** 441 IAC 14.3(3)

The Division of Fiscal Management certifies the liability file to the Department of Administrative Services semiannually in a manner prescribed by the Department of Administrative Services.

### **Notification of Change**

**Legal reference:** 441 IAC 14.3(2); 11 IAC 40.4(2)

The Division of Fiscal Management notifies the Department of Administrative Services of any change in the status of a debt in the liability file within 30 calendar days from the occurrence of the change.

## **Offset Process**

**Legal reference:** 441 IAC 14.6(1); 11 IAC 40.5(8A)

The Department of Administrative Services makes the offset as prescribed in its rules.

The State Accounting Enterprise flags vendors offset by adding them to the outstanding master statewide liability file maintained by the Department of Administrative Services. Agencies submit form, *Request to Include Debt on Offset Master Index File*, to the Accounting Bureau of the Department of Administrative Services.

The income offset procedure is initiated by matching the current vendor file against the current master statewide liability file for warrants written each night.

If any of the vendors for whom the State Accounting Enterprise is drawing warrants are flagged for offset, the State Accounting Enterprise will pull the warrant and the Department will not receive the warrant until disposition of the liability is made. Vendors who are identified as having a liability outstanding will have the "INCOME OFFSET" flag set as a "Y" on the "VEND" table. In this context, the county is a "vendor."

When the Department has submitted a request to the Department of Administrative Services to offset payments to a particular county, and a warrant has been written to that county, the Department will receive *Notice of Held Warrant*.

## **Notice of Pending Offset**

**Legal reference:** 441 IAC 14.4(1)

Within ten calendar days from the date the Department receives notification from the Department of Administrative Services of a potential offset, the Division of Fiscal Management sends form 470-4478, *Payment Held*, to the county. This notice includes:

- ◆ The Department's right to the payment in question.
- ◆ The Department's right to recover the payment through this offset procedure.
- ◆ The basis of the Department's case in regard to the debt.
- ◆ The county's right to request splitting of the payment between parties when the payment is jointly owned or otherwise owned by two or more persons.
- ◆ The county's right to appeal the offset pursuant to 441 IAC Chapter 7.
- ◆ The phone number for the county to contact in the case of questions.

### **Appeal Request**

**Legal reference:** 441 IAC 14.4(3)

The county shall have 30 days to appeal. The county waives any right to appeal if the county fails to respond with 30 calendar days of the date of the notification.

The county's appeal request shall include relevant legal citations and any additional information supporting the county's position. If the county believes it has provided all relevant information as part of the disputed billing process, the county may instead note that the Department already has the relevant information.

Appeals shall be processed according to the procedures in 1-E, [APPEALS AND HEARINGS](#). The county's request for appeal shall suspend the offset action until a final appeal decision is issued.

When the final appeal decision upholds the Department's action or modifies the amount of offset, the Division of Fiscal Management shall certify to the Department of Administrative Services that the requirements for offset under Iowa Code section 8A.504 have been met.

When the final decision reverses the Department's action, the Division of Fiscal Management shall notify the Department of Administrative Services to release the offset.

### **Notice of Completed Offset**

**Legal reference:** 441 IAC 14.6(2); 11 IAC 40.4(8A)

Once the offset has been completed, the Division of Fiscal Management shall notify the county of the action taken and of the balance still due to the Department, if any.

### **Payment to County**

**Legal reference:** 441 IAC 14.6(3)

| The Department shall pay to the county any payment offset by the Department of Administrative Services to which the Department is not entitled, in accordance with established procedures.

Whenever an offset is greater than the debt owed by the county, the overpayment must be returned to the county. The county may specify whether the overage is:

- ◆ Used to offset future billings, or
- ◆ Returned directly to the county.